



31 January 2013

The Manager
Company Announcements Office
ASX Limited
Level 4 North Tower Rialto
525 Collins Street
Melbourne VIC 3000

ISSUE OF CONVERTIBLE NOTE AND SPP ANNOUNCEMENT

Dear Sir

MBD Corporation Limited (**the Company**) (**ASX:MBD**) is pleased to announce that it has issued a Convertible Note for A\$720,000 (**the Note or CN**) to sophisticated investors as defined by Section 708 of the *Corporations Act 2001 (Cth)* to clients of Salmon Giles Corporate.

The Notes are redeemable after 36 months; convert to shares in MBD at **8 cents** per New Share and have a coupon of 10% per annum payable monthly in arrears.

The Notes automatically convert to shares in MBD at **8 cents** per New Share 5 days prior to the record date relating to the first dividend declared by the Board of MBD subsequent to the issue of the Notes.

The key terms of the Note are attached as Annexure A.

Funds drawn down from the Note will be applied to the Company's working capital including its investment into Citywide.

Announcement of Share Purchase Plan

MBD is also offering eligible shareholders the opportunity to participate in a share purchase plan (**SPP**) in which they can subscribe for up to A\$15,000 worth of fully paid ordinary shares in MBD (**New SPP Shares**) with the following key terms.

- Issue price of **8 cents per New SPP Share** represents approximately an **8.05 %** discount to the volume-weighted average market price of shares in MBD Corporation



- traded in the ordinary course on the ASX during the 5 trading days prior to 30 January 2013;
- No payment of brokerage or other transaction costs; and
- The SPP is **NOT** underwritten;

Funds raised under the SPP will be used to provide further ongoing working capital. All MBD Directors have indicated they will participate in the SPP.

MBD further confirms the announcement made in the Chairman's address in November 2012 and advises that up to January 2013 trading has declined further in both retail and commercial markets. At present trading at an operational EBITDA level is marginally **unprofitable** and as a consequence the Board **will not declare** a FY13 half year dividend and is **unlikely** to declare a FY13 final dividend.

As a result of the continued poor market conditions, the orderly sale of end of life cycle inventory we anticipated selling prior to the arrival of new product lines has been affected. In addition, the Board is of the view that the carrying value of stock (inclusive of associated overheads) is overstated. As a consequence, as at 31 December the Company is expected to incur a stock write-down of up to \$1.5 million which will also be subject to further review by the Company's Auditors.

We also believe trading conditions will remain challenging over the next 12 months and as a consequence we have instigated further cost savings and brought forward productivity and efficiency projects to better align our expense base to meet the current market conditions whilst staying on track with the strategic agenda we have set.

The Board is confident that with the core Marbletend strategic changes having been implemented and the build of the Citywide concrete plant nearing completion that MBD **will return to profitability** in this second half.

Event	Date
Record date to determine eligibility to participate in the Share Purchase Plan	7.00 pm (Melbourne time) on 30 January 2013
Opening Date	31 January 2013
Release of FY13 First Half Results	25 February 2013
Closing Date	5:00 pm (Melbourne time) on 1 March 2013
Issue of New Shares issued under the Share Purchase Plan	11 March 2013
Commencement of trading of New Shares on ASX	12 March 2013
Dispatch of holding statements	12 March 2013

Note: timetable is indicative only and subject to change

All dates and times are references to Melbourne, Australia time

MBD wishes to advise that the SPP Offer document, together with the Application Form, will be mailed to eligible shareholders today.

Should shareholders have any questions about how to participate in the SPP Offer, please contact MBD's SPP Information Line on: +61 3 9820 2087.

Yours sincerely

Hamish Giles
Chairman

MBD Corporation Limited

Annexure A - Key Convertible Note Terms

- **Anti Dilution:** Standard anti-dilution provisions dealing with share consolidations, share splits, share distributions, cash distributions, spin-off events, rights issues, and reorganisations;
- **Applicant CN Conversion:** Applicants may elect at any time and in their absolute discretion to convert the CN to shares in the Company during the CN Period at an issue price of **8 cents** per New Share (**Conversion Price**). This conversion right may be exercised at the option of the holder from 31 January 2013 until the close of business on the sixth day prior to the Maturity Date, or in the event of early redemption, until the close of business on the sixth day before the date fixed for redemption (**Conversion Period**);
- **Automatic CN Conversion:** The CN automatically converts to shares in the Company during the CN Period at an issue price of **8 cents** per New Share 5 days prior to the Record Date;
- **Clean up call:** The Company may redeem all but not some only of the CN's at their Redemption Price, together with accrued interest at any time if conversion rights shall have been exercised and/or purchases (and corresponding cancellations) and/or redemptions effected in respect of 75 per cent or more in principal amount of the CN's originally issued;
- **CN Interest Payment:** The Company will pay CN Interest on the 28th day of each month;
- **Default events:** Those appropriate to the transaction, including, without limitation: insolvency events, winding-up, execution or distress;
- **Denomination:** A\$25,000 tranches and thereafter in A\$5,000 tranches;
- **Expiry of CN Period:** At the Maturity Date, any outstanding CN's are automatically redeemed for cash at their face value;
- **Further Issues:** The Company retains the right to make further issues of Shares including pursuant to ASX listing Rules, rights issues, existing or future share options or employee incentive schemes;
- **Interest Rate:** 10% per annum with interest payable monthly in arrears;
- **No Listing:** No application has been or will be made to list the CN's;
- **Ranking:** The CN's are direct, unconditional, unsubordinated and unsecured obligations of the Company, which will rank *pari passu*, without any preference or priority among themselves, with all existing and future, unsecured and unsubordinated obligations of the Company;
- **Record Date:** The date determined by the Company in relation to shareholder entitlement to participate in the first dividend declared by the Board subsequent to the issue of the CN.
- **Tax:** Payments in respect of CN interest will be made without any withholding or deduction for or on account of Australian taxes, unless required by law;
- **Term of CN:** CN has a **Maturity Date**, 36 months from the date of issue (**CN Period**); and
- **The Company CN Redemption:** The Company has, subject to an overriding right of the Applicants to convert, a right to redeem at 105% of face-value (plus any capitalized interest) (**Redemption Price**) any or all of the CN's for cash at any time during the CN Period.